Co-operation in Practice - Directors

In 2012 the Co-operative Federation of Victoria Ltd (Co-operatives Victoria), the Co-operative College in the UK and the SouthEast Housing Co-operative Ltd co-produced a series of short films on Co-operation in Practice featuring the then Chief Executive Officer and Principal of the Co-operative College Mervyn Wilson – Directors, Education, Governance, International, Members, Principles, Social Enterprises and Values. Filming was undertaken by Trade Creative. For each film the Co-operative College prepared a transcript.

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As co-operatives are democratic organisations they are ultimately owned and controlled by their members. Members are entitled to stand for election to various committees in their co-operative, they will vary from co-operative to co-operative and ultimately stand for election to the Board of Directors, the highest governing body within the organisation. There will normally be some terms and conditions about this that will relate to how long you will need to have been a member, sometimes about having a minimum share capital holding, but those elections will always take place on the basis of one member, one vote.

The directors have a critical role in ensuring the good governance of any co-operative. It is worth remembering that their role really does change over time. If you start off with a small co-operative, every member can have a say in the co-operative, and every member will want to have a say. If you look at some of our earliest consumer co-operatives, members would get together, for example, to decide what they stocked at the store, what price it would be sold at, but over time as the co-operatives get bigger there is a series of changes that fundamentally change the role of members in governance. The first change is when a co-operative is big enough to have the first employee. The balance of power between members and the employees changes, the manager now takes many of those routine decisions. As the co-operative gets bigger they have to take the big decisions and move onto a strategic role, rather than a day-to-day operational role and it is crucial that the elected members understand where their responsibilities end and those of the operational managers begin.

That brings me to another point about directors. If you are going to have genuine democratic control it means that members elected to the committees and ultimately to the Board of Directors need to recognise the critical importance of having training to develop the skills to ensure that they can exercise their critical friend role, their role in ensuring proper accountability of management, and setting the strategic direction of the co-operative effectively. Just because you are elected doesn't mean to say you have the skills and competencies to carry it out. It means in the UK for example, as well as having a lot of director training programmes for co-operatives, we have developed an annual Board Skills Audit where boards can review the skills mix, see areas of weakness, see where they need to develop and strengthen their skills. We set up with our biggest co-operative a Board Development Centre, an ongoing portfolio assessment based methodology where people can identify the skills areas they've got, skills areas they need to develop and a mentoring system

to help them develop those skills. The critical point is if democratic control of co-operatives is going to work it needs to be matched by the level of skills and competencies commensurate with the scale of those businesses. If we don't get it right, it is inevitable that the cries from regulators will be that we need to strengthen boards by non executives brought in from outside, fundamentally changing the balance of control within co-operatives. It may be appropriate to give a board powers to co-opt one or two people where there are specific skills gaps and where there are specific technical areas needed, but that gets very very difficult if you are moved to a situation where the majority of the board, for example, are appointed non executive directors. So getting good directors, commitment to training and development, commitment to Board Skills Audits, commitment to board development processes is absolutely essential if directors are going to play their role in ensuring good co-operative governance.

Film available at CoOperationdg
https://www.youtube.com/channel/UCvnVDdQMYk112jAgJ-pvfFA